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ON

THE FUTURE

OF

NEW YORK,

BY

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THE FUTURE OF NEW YORK.

LETTER I.

HOW NEW YORK ACQUIRED SUPREMACY—STEAM AS A LEVELER.

To the Editor of the New York Times:

In complying with your request to present my views as to the outlook of affairs, I beg to say that I am not animated by any rash desire to rush in where wiser men would fear to tread. The situation is one full of difficulties, before which bold men quail. It is a time for plain talk, calm thought, and decisive action.

It is a sweet use of adversity when it is accepted as a schoolmaster teaching lessons of wisdom. For nearly four years New York has lain in the very ashes of adversity. Every trade, every calling, every man has felt its chilling touch. And now on all sides is heard the inquiry, is the daylight at hand—is there hope in the future? This trial of adversity has not been limited to the area of our own city, State, or land. With more or less intensity it has extended as far as civilization extends. I do not propose to discuss in any general way its causes or its cure, but to deduce some practical lessons for the admonition of the people of this city, and to make some practical suggestions which may inspire the despondent with hope, that they may endure the present with fortitude and be animated to new achievements and new successes.

It is to be accepted as a truth that New York is no longer endowed by natural advantages with the commercial supremacy which crowned her by divine right as the empress of trade upon this continent. Her proximity to the ocean, always and easily accessible by sailing-vessels; her facility for reaching the interior by the Hudson River, and the exclusive possession by the State of a depression in the Alleghany range, which af-

forded easy egress to the West, were natural advantages such as no other city upon the Atlantic coast enjoyed. The Erie Canal emphasized and supplemented these natural advantages, and gave the commerce of the city an impulse which sent the population from 123,000, in 1820, to 202,000 in 1830.

For long years after this the merchants and traders of New York had no other care than to gather the harvest which each returning season brought to their coffers; to take toll of the products of foreign nations and the great West, which found ingress and egress by her gates. While huge wagons, drawn by six or eight horses, were painfully climbing the heights of the Alleghanies with three or four tons of freight to or from Philadelphia or Baltimore, a canal-boat, drawn by a single horse, conveyed to New York 10 or 20 times the weight and bulk borne by the wagon. This city had no competitor, and feared none, and complacency was the prevailing mood of her merchants.

This complacency was first shocked by the solid and far-seeing men of Boston, who determined at any cost to secure a portion of the Western trade, and the railroad from Boston to Albany was the outcome of that determination. The Cunard line of steamers, with Boston as the American terminus, was also a thorn in the flesh of this complacency, which compelled the recognition of the then appalling fact that there could be such a thing as competition; and under the influence of this spur the Hudson River Railroad was constructed, and New York was again supreme—at least for a time. But the old mood of complacency was never again so fully indulged, although to this day it prevails in a degree which has wrought some evils and threatens others.

During these halcyon days, while merchants were exclusively engaged in gathering gains, the government of the city was given over almost wholly to politicians. The former were so well content with their gains that they rarely complained, even when the latter appropriated an immoderate share of those gains.

Other cities, less alert than Boston, at last concluded to follow her example and attempt to secure a share of the

Western trade. Steam was the agent to equalize the advantages of contending and competing cities. The proximity of New York to the ocean was, as an advantage, neutralized when steamships vexed the Delaware and the Chesapeake. The more difficult grade of the Alleghanies at the approaches to Philadelphia and Baltimore was to a large extent a question of fuel, and that was cheaper upon the lines of the roads encountering the heavier grades than upon the lines in this State, and so it has come to pass that the supreme advantages which New York long enjoyed by a divine right or gift of nature, and in later years by artificial water-ways connecting the Hudson with the lakes, have ceased. Supremacy has yielded to equality, steam being the leveler.

That which costs most is prized most. The advantages which New York enjoyed cost nothing. They were nature's endowment. The Erie Canal cannot be said to have cost the State anything, so ample were its revenues for more than a generation. Philadelphia and Baltimore, on the contrary, have bought their equality at a great price, and that equality they mean to maintain, and, if possible, acquire a degree of supremacy. In those cities there is no sentiment of complacency, it is all competition, rivalry, expectancy. This feeling pervades all classes, from the merchant to the laborer. They strip themselves of every impediment as for a race—a race in which they have gained great advantage, and in which they hope and mean to win.

While it is true that these cities have greatly gained, it is also true that New York has not greatly lost. A vessel does not cease to move when the propelling force has ceased to act. An insolvent house of long standing enjoys credit after the line of solvency has been passed. A great city will maintain its trade by the mere force of momentum, long after adverse influences, hostile to its prosperity and destined to work its ruin, become active. But the momentum resulting from the spent energy of forces is a feeble dependence, and must be supported by new agencies, or the end must come. This does not yet truthfully portray the condition of New York. It is

not so bad as that. Still a city of great resources, and of vast possibilities, her energies are at present hampered, and her future darkened by circumstances yet controllable. Samson is not wholly shorn, or quite blind.

In other letters I hope to point out some of those circumstances, and perhaps suggest some methods of controlling them.

LETTER II.

CHANGES IN LINES OF TRADE—NECESSITY FOR ADAPTATION TO CHANGE—VALUE TO THE COMMUNITY OF A MIDDLE CLASS.

The great Northwest is, in a certain sense, the offspring of the State of New York. The means of communication devised by the genius of Clinton, and made effective by the munificence of this State, peopled some of the States whose stars adorn our flag, which have, in turn, become the mothers of States. As parents sometimes see their children rise about them more stalwart and comely than themselves, so some of these newer States have within their borders cities which have attracted a portion of the business which was formerly a feature of the trade of this city. Thirty years ago merchants and traders from every section of the country came to New York to purchase their goods. Here credits were easier, stocks larger, and prices lower than elsewhere; and the "jobber," as he is called—that is, the dealer who stands between the importer and commission merchant, and the retailer—needed a spacious and attractive store, carried a large and varied stock of goods, and employed a multitude of assistants to conduct his business. The purchaser came a long distance, at a large expense, and bought a year's supply. The winter was a close season, for then navigation was sealed. To-day, New York is no longer the centre of the jobbing trade. It is, to be sure, the centre of *a* jobbing trade, but that is a home, or near-by trade. Cleveland, Chicago, Cincinnati, St. Louis, and many minor cities, are now each jobbing centres, dealing directly with the retailers within their respective spheres. In some of these

cities, too, are found importers, and commission-houses established by Eastern manufacturers.

"Times change, and men change with them," and if the men don't change, so much the worse for them—they will be left behind in the keen competition of life, and drift, wrecks upon the strand. So, doubtless, thought the controlling mind in the house of A. T. Stewart & Co. when it decided to establish a branch in Chicago. Choice did not dictate this, convenience did not, but necessity did, and the men changed their policy with the times, in verification of the adage. Here, again, supremacy gives way to equality, and New York is checked in her growth in the line indicated.

As in morals, one who hesitates is lost, so in business the city which hesitates, falters, and is dismayed, is in peril. He is the successful man who in the course of a large experience has versatility enough to adapt himself to new circumstances and new relations. See the great Astor, ready for any emergency, dismayed by no disaster, surrendering to no defeat. Full of latent reserved power, he seemed to court difficulties to triumph over them. So, too, with Vanderbilt; as skipper of a periagua he was daring and successful. When such craft were superseded by steamboats, he adapted himself to the new conditions, and excelled; when the steamboat surrendered to the railway, he did not surrender, but seized the railway, controlled it to his uses, and again excelled. Communities cannot adapt themselves to changed conditions with the alertness of individuals, for a ship cannot turn in so small a circle as a yawl.

Now, there are communities and communities. The community of New York is essentially different from the communities of Boston, Philadelphia, and Baltimore, and the comparison is not favorable to New York. The local sentiment, not easy to define, but always alert, potential, and defiant, which prevails in the cities named, is lacking here. This sentiment, in its last analysis, is profoundly selfish, not as to the individual so much as to the community, but it is also prodigiously effective. The commercial creed of the Baltimorean

begins with: "I believe in the Baltimore and Ohio Railroad," and with that it ends. The Philadelphian, in like manner, believes in the Pennsylvania Railroad. And these creeds include the infallibility, impeccability, and invincibility of the respective roads. It must be admitted that this devotion is reciprocal, and these roads are loyal to the interests of the communities they serve. The New-Yorker believes in nothing but that New York is a great city, with great natural advantages, which will in some mysterious way work out for his city a great destiny. He ignores forces working silently against his city. He disdains to note symptoms—not of decay exactly—but say of arrested development. He has not discovered that natural advantages have been neutralized by the equalizing agency of artificial advantages, as described in a former letter.

The absence of this pervading sentiment of local pride, which unifies a community, is chiefly owing to the fact that there is in New York no middle class to serve as a connecting link between the rich and the poor; a class solid, substantial, and intelligent; anchored to their homesteads; diligent in their business, and keenly sensitive to the interests of the city they inhabit, respected by the rich, and confided in by the poor. Such a class is an enormous force in a community; conservative in all that pertains to law and order; watchful over every interest of their city, and aggressive in everything that will promote the welfare of their municipality. This class may be somewhat sordid, if you please; but even this makes them an effective class; for, as a great British statesman has said: "The love of lucre, though sometimes carried to a ridiculous—sometimes to a vicious—excess, is the grand cause of prosperity to all States." I do not mean to say that there are no individuals of this class here, for there are many, but not a sufficient number, compared with the entire population, to constitute a class exercising a powerful or controlling influence in affairs.

That New York has grown until recently more rapidly than competing cities, is another fact that accounts for the lack of a sentiment of local pride and supreme devotion to local interests. This rapid increase has been chiefly due to immigration,

not alone from foreign countries, but from other States of this country. Whither the middle class have gone, and why they went, and why those who come hither from other States do not take root here as they should, may be hereafter considered.

It is gratifying to know that there has, within a year or two, been developed something of this sentiment of local pride and devotion to local interests. It comes none too soon, and it is to be hoped that it will increase in intensity and volume. Its spring is self-interest—always an effective motor—and its results, if it shall possess the gift of continuance, and be wisely applied, will promote the general welfare by giving the business interests of our city a new impulse; so that, instead of weakly surrendering the crown of commercial supremacy to any rival, it shall be proved that "he that wrestles with us strengthens our nerves, and sharpens our skill."

LETTER III.

IMPORTANCE OF THE GRAIN TRADE—NEED OF TERMINAL FACILITIES—RAPID TRANSIT—INFLUENCE OF ELEVATORS—LABOR STRIKES—THE BROOKLYN BRIDGE.

The transportation to the seaboard of the products of the West is the immediate and ostensible prize for which rival cities are contending. It is believed that the city which secures this, or much, or most of it, will have various other things of vast commercial value added to it. The port must be frequented by vessels to convey these products abroad, capital must be lodged for purchases and expenses, supplies and repairs to shipping must be provided, labor to handle must be employed, towage and pilotage must be paid. To some extent imports will pursue the line of exports, and furnish new elements and sources of traffic and gain. Indeed, one New York house, extensively engaged in importing, is arranging to receive a portion of its merchandize through a branch in Baltimore, and another is receiving a large portion of its foreign goods through Boston. Cargoes of coffee, when destined for

the West, are landed at Baltimore almost exclusively. That port which can receive, deliver, and handle exports most rapidly and most cheaply will retain or obtain this prize. It is a question of dollars—no, not of dollars, but of cents and mills. Upon such small issues—small in detail—hangs the question of ultimate commercial prosperity, possibly commercial supremacy.

And here New York is at a disadvantage. The cargo and the ship must be brought together with the least possible delay and at the least possible cost. At present the cost of handling the products here is greater than elsewhere, and this city loses a portion of her trade. Some of our dealers have followed the trade to another city, while the others are waiting for a practical solution of the problem as to cargo and ship. There is need of wise counsel and early action. There is a leak, and it must be stopped. Bankers tell me that they find the current of certain lines of Western financial accounts changing; they go West to find the cause, and are told the business is transferred to another city because of terminal expenses and delays here. So closely are business interests interlocked that no link in the chain can be jarred without a responsive shock to the whole. This blending of every interest in the common welfare renders it in the last degree unwise for any to assume that it is too remote to be injured by impeding effective measures for assuring facilities for transhipment of produce.

The subject of rapid transit within the city limits is one which cannot be passed by. It is hoped that the time is at hand when it will possess the qualities of a commanding interest. In 1866, as Chairman of a special commission to investigate the subject, I devoted several months to a careful examination, and the conclusion then arrived at—that underground railways passing under streets would best provide for the wants of the city in respect to the safe, rapid, and cheap transportation of persons and property—seems a sound one. The Fourth avenue subway has been a very long step in the direction indicated.

Elevated roads have their advocates, and undoubtedly their

merits. Rapid transit roads need a population upon or near their lines. It is alleged with much force that the road must precede the inhabitants; that it must be built, in fact, to make remote property habitable. On the other hand, it is urged with equal force that such a road cannot be constructed without injury to valuable property in the improved portion of the city, and that the damage to improved property is immediate and absolute, while the advantage to distant property is remote and contingent.

Curiously enough, while this controversy is pending, a method of rapid transit has come into vogue which is of interest in this connection. Perpendicular rapid transit has an important bearing upon horizontal rapid transit. If the man who makes two blades of grass grow upon a spot of ground where only one grew before is a benefactor of his race, what shall be said of the man who, in effect, makes two houses stand where only one stood before? The elevator is the vehicle which effects this result. Until within two or three years the third story was as near the sky as it was possible to induce the better class of tenants to go, but the steam elevator makes the fifth and even the sixth accessible and habitable, and the difference in rents between the several floors, where this vehicle is in use, is surprisingly small. It has become possible, then, to accommodate within a given area a population much more dense than could be housed without this agency. Should the erection of lofty dwellings, flats as they are called, continue to meet with favor, the occupation of unimproved lots must proceed at a slower rate, and the improvement of those more remotely situated be in some degree retarded. The influence of the steam elevator upon down-town property admits of no question. Certain callings which are especially gregarious find it possible to keep within the coveted area by occupying the now accessible lofty stories. Indeed, the upper stories of ordinary buildings down-town, without elevators, are not easily rented.

That rapid transit in some effective form will come is certain. It will be indispensable for a full development of the territorial resources of the city. The conformation of Manhattan Island

in itself will impose the necessity of providing means of speedy transit. Yet it is possible, if New York shall persist with Bourbon-like obstinacy in certain methods, and resist certain reforms, that the urgent necessity for rapid transit may be postponed.

Incidentally it may be remarked that labor-strikes have worked an injury to the city. While ship-building was yet a profitable calling it was driven from the city by strikes. These, however, are not peculiar to New York, but here their frequency and intensity are augmented by the facilities for organization afforded by the density of the population. In the contest between labor and capital, strikes will continue to occur. They are incident to the law of supply and demand growing out of a high state of civilization. They are the result of friction in the social machinery, for which those civil engineers of society, known as political economists, have not as yet been able to propose an adequate remedy. They must be referred to the good sense and forbearance of those immediately concerned.

The Brooklyn Bridge is a magnificent conception, and of the highest possible importance—to Brooklyn. It is an enterprise to which New York is committed beyond recall, so that its expediency, from a New York point of view, is quite beyond the pale of discussion. When, in the future, New York shall have demonstrated an ability to govern herself wisely and well, the question of the union of the two cities may become a practical one; until then the bridge will be one of sighs to the New York tax-payer. It was a singular anomaly to see, recently, an announcement of the issuing of bonds to build the bridge to Brooklyn, and an announcement that a bridge connecting one part of New York with another was closed because of its insecure condition. The very fact, however, that this city is pledged to this vast undertaking should add urgency to the efforts to reinforce the resources of the city, by removing every hindrance to the fullest development of her powers.

LETTER IV.

DEBT THE CAUSE OF HIGH TAXATION—NECESSITY FOR REDUCING EXPENSES—REAL ESTATE AND RENTS.

Debt and taxation are a load under which New York is staggering. Debt, State and municipal, is placed before taxation because debt is in great part the cause of the excessive rate of taxation which is now the source of complaint, and is regarded as withering the energies and checking the growth of the city. The actual increase in the current expenses of the city in proportion to the value of the property is really not very great, as compared with a period twenty years ago. For instance, in 1857 the rate of taxation for current expenses was $1.13 upon $100, and in 1876 the rate for the same purposes was $1.30 upon $100. This statement will be regarded by many as incredible, so a few figures by way of proof. The rate for 1857, for all purposes, was $1.5564. From this deduct the interest upon the debt, $1,311,813, and the State tax of 1¾ mills upon the assessed value, $895,545, and it gives a rate of $1.13. In 1876 the rate for all purposes was $2.80. From this deduct the interest upon the debt, $9,503,189, and the State tax, $7,233,189, and it gives a rate of $1.30.

Now, do not let me be considered as in anywise the apologist for the current extravagance. The city debt is immense, and it is the product of extravagance, recklessness, and dishonesty. But, there it is, and it has to be met honestly and carried manfully. The State tax has been enormous, and this city has paid in the past 10 years $64,014,204 in that direction. Fortunately, it is now subsiding, and the city will pay for that charge in 1877 less than in any year since 1867. The building mania, which has cost the State so largely during the past few years, no longer prevails, and it is hoped that the good sense of the Legislature will permit no large appropriations this year. The interest upon the city debt must be paid, and for the present, at the fixed rate of interest. It is possible, however, under certain conditions, to be hereafter named, that the rate of interest may be reduced, and so that burden lightened.

There remain, then, only the current expenses of the city in which immediate, or very early retrenchment, is possible. Then in that direction must the knife of retrenchment be applied. Can it be done? It can. It will hurt; but so does the surgeon's knife. The body politic is in peril, in extremity, and the fact must be recognized. Resolution and courage are needed to apply this remedy, but they ought not to be wanting.

The Board of Estimate and Apportionment is the final arbiter in fixing so much of city expenses as is under local control. Legislative restrictions, so far as they relate to the minimum compensation for services, should be removed, still restricting the maximum. The composition of the Board of Apportionment should be changed. The Mayor and President of the Board of Aldermen should remain, but the head of one department should not be called upon to fix the appropriation for other departments. It is an invidious duty. The gentlemen who fill those positions now well know that this suggestion is not made from any distrust of their ability or integrity. They would, I doubt not, esteem it a privilege to be released. The Board should consist of five, three of whom might be selected respectively by the resident members of one year's standing, of the Chamber of Commerce, the Bar Association, and the Produce Exchange, and commissioned by the Mayor, from amongst citizens who for two years preceding have been the owners of real estate of the assessed value of at least $25,000. These gentlemen should be ineligible for any local office to which a fee or salary is affixed for two years after their terms as members of this Board have expired, and should be prohibited from recommending or procuring the appointment of any person to a local office during their term of office. The term of one of them should expire each year. A Board so composed would give to the real estate interest the importance and control to which it is so well entitled.

The fact that this city could, as already stated, pay for a State tax in ten years the enormous sum of more than $60,000,000 from taxation—equal to more than half the city debt—is a proof of the wonderful vitality of the city; a

vitality, however, which must not be too much strained or presumed upon, or a collapse may ensue. A large portion of this State tax was to meet the bounty debt, and probably none of that vast sum was for any purpose which increased the taxable resources of the city.

In the general depression which, for nearly four years, has affected every interest in the country, real estate has not escaped. Yet other investments have proved less reliable than those in real estate. The owner of unincumbered real property in this city may have reason to complain of a diminished income from reduced rents, and of high taxes, but still his condition is far better than that of those who hold securities which have defaulted in the payment of interest, or stocks no longer paying dividends, the capital of which has, in some cases, disappeared. The diminished compensation paid to those employed, and the enforced idleness of many out of employment, has led to a condensation of tenants in the one case, and a total stoppage of rents, very often, in the other. That is to say, families who formerly occupied an entire house have been compelled to put themselves into half a house, and others, formerly occupying half a house, have been reduced to the necessity of occupying apartments, or a single floor. This process of condensation has left a good deal of property unoccupied. There probably have not been so many instances of removal to distant suburbs as in better times, as such removal is rarely a merely economic measure, so far as family expenses of living are concerned.

Owing to the changes of methods in business already referred to in part, and a resulting surplus of store property, some stores remain idle, and the rents of nearly all, where leases have expired, have suffered reduction. Incited by the prevailing low prices for materials and labor, a good deal of building has been going on in the face of the depression in business, the owners not expecting to find occupants immediately, but deeming the temporary loss of interest upon the investment a less consideration than the advantage obtained in the very low cost of construction.

LETTER V.

SPECULATION IN REAL PROPERTY—THE CITY A SHARER—RUINOUS ASSESSMENTS—INCREASING TAXES.

That many have been ruined by the decline in the value of unimproved real estate is true, but the conditions were peculiar. An era of speculation in property, during which prices perfectly fabulous were current, has resulted in a collapse which has wrecked vast nominal fortunes. For several years property in the upper part of the city advanced so rapidly in price that it is hardly exaggeration to say that a man might, with his eyes closed, put his finger upon a map of that part of the city above Fiftieth street, purchase the property thus blindly indicated, at the owner's valuation, and in a few months it could be sold at a profit. It was a lottery in which every ticket drew a prize. Men, many of them of the soundest judgment, were carried away by the brilliancy of the bubble. Not many expected to hold permanently, and few expected to build. It was a passion, a contagious fever. The boldest operator was the most successful one. A large part of the transactions were upon margins, as they would be called in speculations of another character. Some cash was paid and a large mortgage given. The crisis of 1873 came; there was a pause. It became difficult to realize the cost of property. Large estates were offered at auction. The staggering market fell, struck down by the hammer of the auctioneer. The day of reckoning came, mortgages were foreclosed, and men who had acquired fortunes in other pursuits, but had staked their all upon the hope, which they had deemed certainty, of advancing prices, found themselves ruined. No one can withhold from the sufferers by the revulsion a sentiment of sympathy.

The city was, to some extent, a partner in these transactions. Stimulated by the success of Central Park, other parks were projected, and the property secured at extravagant prices. Drives, and avenues, and boulevards of the most permanent and costly character, were laid out and constructed. All the

of several millions of dollars, to defray a portion of the expense of some of these stupendous undertakings, and there they stand to-day, monuments of corporate and individual extravagance, almost "as idle as a painted ship upon a painted ocean." The city's motto seemed to be, "millions for ornament, but not a cent for utility;" for, during this very period, the pavements in taxable property of the city was put under bonds to the extent the lower and business portion of the city fell into a condition but little better than the streets of a Turkish village; impeding traffic, and imposing burdens upon trade, already overweighted in the contest with competing cities.

It is painful to make these statements; but they are true, and, as intimated in the first of these letters, it is a time for plain talk. It is time to strike a balance, to take an account of stock, to review the past, and address and adjust ourselves to the future with what faith and hope we may.

While upon unimproved, and, of course, unproductive property, taxation was onerous, assessments for improvements were crushing; and have, in districts of considerable extent, not only reached, but passed, the verge of confiscation. Time affords a solvent for many difficulties, and the embarrassment of property thus situated must probably, for the present, be remanded to await the development of methods of relief through the subduing agency of time.

Not the least of the evils attending the condition of things herein described, is that so large an area has been either placed in a condition where it is likely to be kept out of market for years, or enhanced so greatly in cost as to unfit it for residences of the cheaper grade, so essential for the accommodation of families of moderate means, constituting that middle class before referred to. This state of things has been the cause of the migration of many thousands of those who should have remained our citizens, to Long Island and New Jersey, and emphasizes the demand for methods of transit which must be safe and cheap, so as to reach the lower-priced lands in the Twenty-third and Twenty-fourth Wards. If it were not for the fact that the energies of the city are fettered by the bonds

of a crushing debt, municipal aid for an effective method of utilizing the vacant territory in the annexed district would be a fair subject for consideration. But it may be questioned whether the city is not in the condition of a man who, by his extravagance, has incurred debts which form a lien upon his estate of such gravity as, for a time at least, to hinder his improving his property in a direction almost indispensable, and compel him to practice an unused and inconvenient economy, to the absolute detriment of his estate.

It was not until after 1837 that the taxes of this city regularly exceeded 50 cents on the $100. In 1846 they began to exceed $1 on the $100, and since 1863 they have regularly exceeded $2 on the $100. Since 1863 the state tax alone has greatly exceeded, every year, upon each $100 of valuation, the rate of the city tax prior to 1837. The tax-payer, in looking over the musty records of the past, is apt to forget how meagre were the returns he received for his taxes forty and fifty years ago. It was the old story of "poor pay, poor preach." Then he bought his spring water from a cart; he had no day police, and his night-watch was without discipline; his streets were in darkness when the moon was in the almanac; his fires were extinguished by water from cisterns or the rivers, through large syringes upon small wheels; his parks were the common lands; his schools taught the three R's; he swept the streets on certain days by his personal labor, and the ashes from his wood-fires were sold to collectors. In short, he did without many things he now has, and did many things for himself which others now do, or at least are paid to do, for him. It is unnecessary to detail them, but this changed condition costs—far more than it ought to, I admit. The luxuries unknown in former days—and we always think them better days—have now become necessaries, and the question can never be how to dispense with them, but how to enjoy them without a cost quite disproportioned to the cost of similar service, not only to private corporations and persons, but to other municipalities. This is the problem demanding present solution; so that this great city, relieved from hindrances, so far as may be, in this

direction, shall be the better fitted for the contest with aspiring rivals.

LETTER VI.

WHO PAY THE CITY TAXES—THE VALUE OF REAL ESTATE FIXED BY THE VALUE OF THE PERSONAL PROPERTY UPON IT.

And now, in view of some suggestions to follow, it becomes necessary to determine who pay the $30,000,000 of annual taxes in this city. It is the owners of personal property. The generally received opinion is that it is the owners of real estate who pay the bulk of the city's annual tax. But let us look for facts a little below the surface. A owns five dwellings, and deems himself a considerable tax-payer. Analyze this claim. He rents one to B, a physician; the second to C, who is an editor; the third to D, who is a bank officer; the fourth to E, who is a lawyer; the fifth he occupies himself. Now, to the rent charged to B, C, D, and E is added a sum sufficient, at least, to pay the taxes upon the dwellings occupied by them respectively, and this rent, including the taxes, is the product of personal property, that is, the brains of the several tenants; and yet not one of these tenants may appear upon the tax rolls as specifically assessed for personal property, and still by the use of their specifically untaxed and untaxable personal property—brains—they pay all of A's taxes upon the real estate he owns, and give him his living besides.

Or, again, A owns five stores. He rents one to B, who has it filled with imported goods; the second to C, who occupies it with goods on commission; the third to D, who uses it for general merchandise and resides in Brooklyn; the fourth to E, who fills it with goods manufactured in another State, sent to him as an agent to sell; the fifth to F, whose goods are purchased with money borrowed upon United States bonds. Now, none of these stocks of merchandise are taxed, or taxable, specifically, under the law, and yet they all do pay, in their rents, the taxes assessed to A, and furnish him the means of living besides.

Yet again, A owns five tenement-houses, which are rented to laborers, mechanics, porters, seamstresses, people not taxed or taxable, specifically, under the law, and yet who pay by means of their personal property—brains, eyes, hands, muscles—the taxes upon the property they occupy.

Or, if you please, A owns five vacant lots, but the taxes he must pay from personal property—it may be the income from United States bonds, or investments in another State, property not taxed or taxable, specifically, under the law, but which is yet made by an inexorable higher law to pay taxes upon the unimproved and unproductive real estate, and so contribute to the support of the State and city governments.

Or, A may own his dwelling only, as real estate, and then again he can by no possibility pay the taxes upon it unless he has either investments in personal property, or follows some pursuit which is made productive by the aid and use of personal property, which will furnish the means to pay the taxes upon that dwelling.

There is one warehouse in this city which pays an annual tax of $30,000 to $40,000. It is used for the storage of goods, nearly—perhaps quite—all of which are not taxed or taxable under the law; yet these very goods pay, in the charges upon them, the whole of this enormous sum of taxation.

Now, it may be that these views are at such variance with commonly received opinions that they will not at once find credence. Nevertheless they are true, and their general acceptance would be productive of good. Nothing would, perhaps, go so far to promote true reform—I do not mean a mere saving of candle ends, but a jealous watchfulness over all sources of extravagance and corruption—as to invest the entire people with a sense of their dignity and power and responsibility as tax-payers. When the whole population can be made to feel how closely and utterly their interests are bound up in the welfare of the city they inhabit, the outlook for the future of New York will indeed be hopeful and bright.

To return from this brief digression. It has been estimated that the value of the personal property in this city in

various forms is some $2,000,000,000, of which about nine-tenths, or more than $1,800,000,000 is not taxable under present laws. (See Tax Commissioner's Report for 1875.) Yet it is evident, from the statements made in this letter, that in spite of constitutional and legislative exemptions, all the personal property in this city is taxed, although but little of it specifically; and, further, that the personal property really pays all the taxes of the city. Real estate serves as the visible and tangible standard of measure—the foot-rule, if you please —by which the tax is adjusted and proportioned.

Not only does personal property pay the taxes levied as against real estate, but the value of the real estate is fixed and controlled by the value of the personal property upon it. Real estate in New York is assessed at nearly $900,000,000, while the real estate in Hamilton County is assessed only about $660,000. Hamilton County is about 40 times as large as New York, and the soil as good, but the real estate of the smaller county is made valuable by the amount of personal property upon it, while the real estate of the larger county is almost valueless, because of the absence of personal property. Within the city itself the real estate of that ward or district is most valuable which has the largest value of personal property upon it. Thus, the diminutive First Ward is assessed at $51,000,000, the vastly larger Nineteenth at $119,000,000, and the still larger Twenty-fourth at only $9,000,000. Any one at all familiar with the city knows that these variations are due to the distribution of personal property, and its owners, in the respective wards. If the Twenty-fourth Ward could secure the same proportion of personal property, and its owners, as the First or the Nineteenth, the value of its real estate would increase in like proportion. It is obvious, then, that the end which every owner of real estate in that ward should seek is to bring personal property within its limits. Once there, whether taxed specifically or not, it can no more escape taxation than a ponderable object can escape the operation of the law of gravitation.

It may be of interest to note the fact here that in 1876 the

city, with 22 per cent. of the population, taxed 57 per cent. of the personal property specifically assessed in the entire State.

LETTER VII.

RELATION OF REAL AND PERSONAL PROPERTY — RENTS AND TAXES—HOW VISITORS PAY TAXES—TWO POLICIES IN BUSINESS.

In view of the statements made in the last letter, it must be conceded that the relations between real and personal property are of the most intimate, and should be of the most amicable character; and that real estate is dependent for its prosperity upon the presence of personal property, and not its mere presence, but that its conditions shall be such as to make it active, productive, and profitable to its owners. The present depression in the value of real estate generally, is not from any inherent cause, that is, any cause originating in and peculiar to itself. There is no greater area of real estate in New York than when its price was much higher, but the cause of the decline is attributable only to the condition and circumstances of personal property. When the merchant finds his stock of goods declining in value on his hands, he must reduce expenses, pay less store and house rent, and curtail the pay of his assistants, compelling them in turn to seek lower rents. When a bank reduces its capital, the pay of its officers and clerks also suffers a reduction, and they too seek cheaper rents. When the mechanic and laborer find that their personal property—skill and physical strength—is in less demand and their wages are reduced, or idleness enforced upon them, they also seek cheaper rents, or cease to pay rent. All these classes are consumers, and with diminished means their purchases of personal property are diminished. They buy less of the grocer, the butcher, the tailor, the milliner, and the retailer of dry-goods; so that the grocer, the butcher, the tailor, the milliner, and the retailer of dry-goods each finds his business, profits, and power to pay rent diminished; and as the rent received is

the general basis of real estate values, real estate, under such influences, must of course decline.

While taxes represented but one-fifth or one-sixth of the rent received by the real estate owner, they could be endured; but when out of a greatly reduced rent, unreduced taxes take one-third, or perhaps one-half, then the burden is felt to be unendurable, and the real estate owner finds that he has been struck by the calamity which first struck the owners of personal property, and through them reached him. Now, all this proves not antagonism, but harmony and unity of interest. Had no disaster befallen the owners of personal property, it is possible that the wildest dreams of the operators in unimproved property might have been realized.

Real estate is the last interest to feel the effects of a panic or revulsion, and it is also the last to recover. The reason is obvious. The blow falls first upon personal property, and through it is distributed to real estate, which does not feel the full force until the whole structure of society has adjusted itself to the new conditions, imposed by the disasters suffered by the owners of personal property. For a time such disasters are not accepted as final; there is hope of recuperation; but at last the fact is accepted, and then the readjustment of expenses is resorted to, through which real estate is finally reached. So, too, recovery affects real estate last, as that result must be preceded by the recovery of a degree of prosperity by the owners of personal property in all its multiform shapes, or by an absolute accretion of population. The latter means of recuperation is the more rapid, if it can be secured, and that is a question which shall receive consideration.

It is not the personal property of residents only which pays the taxes in this city, but that of the stranger within our gates who contributes. No visitor can buy a pint of peanuts or a paper of tobacco, a cashmere shawl or a diamond bracelet, can ride in a cab or visit a theatre, can stay a night in a lodging house or board a week at a hotel, without contributing to pay the taxes charged as upon real estate. Not a case of goods, or a bale of cotton, or stick of timber, or a pig of iron can

pass through the city without also contributing to bear the burden of taxation.

The great object in life, then, of every real estate owner, should be to bring more people here with their personal property, to occupy dwellings and stores; more visitors to buy peanuts and diamonds; more bales of cotton and pigs of iron to be handled and stored, and so to distribute the indirect taxes upon them as to make the burden of all taxation comparatively easy to bear.

In business, two policies are recognized—one is to do a small trade with large profits, and the other is to do a large trade with small profits. The former policy is one of the past, which has been practically abandoned as narrow, illiberal, and ineffective. It is a policy which should not be adopted, and cannot be carried out in the face of competition or opposition in trade. In such a case the competitor dictates the policy. This is, in some sense, the problem which now presents itself for solution to the people of this city, as to which policy they shall adopt. In my judgment they have no choice. In the keen competition for trade, and supremacy in trade, the rival dictates the policy to a certain extent, and nothing but dense stolidity and obstinacy can justify adherence to a narrow and obstructive theory. It is the interest of the real estate owner, which is not only in jeopardy, but in actual suffering. It is for his benefit these letters are written, for his welfare alone is bound up indissolubly with the future of New York. Personal property is migratory and fugitive. A truck or a carpet bag will suffice to remove it; and a draft or bill of exchange will give it wings.

The questions of the hour, then, are substantially these: how to keep, how to attract, and how to utilize this life-giving, tax-paying, debt-bearing element, known as personal property.

LETTER VIII.

NEED OF POPULATION AND PERSONAL PROPERTY—HOW THEY ARE REPELLED—INSTANCES—NOT THE POLICY OF BUSINESS MEN.

Said Mr. Burke, in his great speech on the "True theory of the rights of man:" "In states there are often some obscure and almost latent causes, things which appear at first of little moment, on which a very great part of its prosperity or adversity may most essentially depend." The insidious, but often fatal, effects of noxious gases from defective drains are pretty generally understood; yet it is often of little use to admonish the man in vigorous health of danger from a cause so remote and obscure. But let the poison enter the blood of his family or himself, and he will give heed to statements of facts, and give attention, at least, to suggestions designed to remove the cause. To-day New York is sick, and may possibly hearken to suggestions which in other conditions would be scouted.

What New York needs for recovery from the present paralysis in real estate, for the development of her resources, and to assure her predominance in the future, is population and personal property—or to put it more concisely, men and money. Very well, you say, let them come! But just there is the difficulty—you won't let them come; indeed, you will not even let them stay when they have come. Let me illustrate by a few, a very few, facts bearing upon the proposition "to let them come."

An inquiry was made a few months ago by a member of the Bar as to whether a client of his, not residing here, by removing to this city and investing $250,000 in business would subject that capital to taxation. He said that his client preferred New York as the future scene of his business activity, but that this city did not present such supreme advantages over another city, as to justify him in paying the tax. With great reluctance his counsel was told that the law would impose the tax, and he went away sorrowful.

A gentleman from abroad recently brought letters to a merchant here, asking his co-operation in assisting the foreigner in obtaining property for establishing a manufacturing business here with foreign capital. The merchant, in view of the quantity of manufacturing property standing idle, advised the foreigner to advertise for such property. He did so, and was alarmed at the great number of answers received, and proceeded to consult the merchant, who was, in turn, amazed. The foreigner very wisely said, "If I had received a dozen answers, I should probably have proceeded to make my selection, but there must be some special cause that has vacated so much manufacturing property." The merchant advised him to inquire of some of the owners. He did so, and then, for the first, learned that the taxation of capital was literally the moving cause, and that he too would be subjected to it if he invested here. And he also sought another city.

A gentleman who had made a fortune of several millions, in a distant State, charmed with the brightness and gayety of the city, decided to spend several months in each year here, and entered into negotiations for a house at an annual rent of $10,000. Before they were concluded he learned that he might be subject to a tax upon his personal property, and the charm was broken and the man and the money lost to the city.

Here are three typical instances. There have been thousands of such within the past ten years, some more, many less, important. "Let them come," indeed. Why don't you? You keep at large expense a dog to drive them—men and money—off. He is, to be sure, old and nearly toothless, but they don't know that, and he has here and there a tooth which might puncture them. Many have been bitten, but let us hope that it may soon be said: "The man recovered from the bite; the dog it was that died." Is any other business conducted upon a principle which the above examples illustrate? Does any dealer, wholesale or retail, tax a visitor for entering his premises? While they are on his premises he protects them, shelters them by his roof, warms them by his fire, gives them water if thirsty, would be liable for damage if they fell through an unguarded

hatch or stairway. But whether they buy or not, he does not present a tax bill for the "protection" he has given. No, he puts all that in his bill for goods sold, just as the tenant finds it in his rent. The difference between the dealer and the city is this, many may visit the store or shop and few buy, but none can live in the city without in some way paying for such "protection" as he may receive. The customer, like the untaxed personal property, really pays for all the protection received, but in such a way as is not felt, perhaps not even known.

It cannot be necessary to follow out in detail all that the city lost when, as in the cases cited, men and money were turned from the very doors they desired to enter. Every interest would have been benefited and stimulated by their establishment here; but real estate more than all. These rejected, repelled elements are those for the want of which real estate is languishing, rents declining, mortgages foreclosing, ruin impending. These rejected customers and consumers were willing to bear their share of taxation, assessed as upon real estate, to help to pay the debt, and help to pay for the government or misgovernment of the city; but they were not willing to incur the risk of being specifically taxed, in addition, upon their personal property, not acquired here, perhaps not even situated here, and which would contribute so largely to the present welfare and future prosperity of the city.

This law for taxing personal property has been illustrated by the figure of an old and almost toothless cur. It is well known that it is almost wholly inoperative, owing to inherent defects, and want of adaptation to changed conditions of affairs. Yet this cur barks and scares, has a shadow which blights, and here and there, a fang, which rends unmercifully, when it does penetrate. What shall we do with him? Send him to a dentist for other and sharper fangs, or provide him with a short rope and heavy stone?

LETTER IX.

NATURE OF CAPITAL — HOW THE MIDDLE CLASS IS EXPELLED — INSTANCES — AMENDING CONSTITUTIONS.

The repelling force of the law as regards population and capital having been demonstrated, it is proper to consider briefly the expelling power of the same law. Capital is timid and fugitive. It may be compared to a gelatinous substance, more of which can be held in the hand when extended open, than when the hand is closed or partly closed. As soon as the hand is bent toward closing, the substance begins to escape, and if an attempt is made to grasp the whole by firmly closing the hand, the whole escapes, and the hand is left empty. Last year the law was for the first time strictly enforced in assessing the shareholders of banks, and the immediate result was a gain of some $10,000,000 of assessable capital; but the result this year will probably be a loss of $20,000,000 as compared with 1876, or a net loss of $10,000,000 as compared with 1875. This result is brought about by the distribution of surplus funds and the reduction of capital, and is referable chiefly to the increase of taxation upon that class of property, aided, it is true, by other contributing causes. The direct and contingent effects upon real estate, and upon the general business character and interests of the city, are most damaging.

A positive result of the specific taxation of personal property has been to drive an immense number of the middle class from the city. People who, by their industry and frugality, or by inheritance, have acquired from $20,000 to $50,000, deemed themselves able to live in such degree of comfort, as their more or less frugal habits demanded, in this city, where their "best friends and kindred dwell." But when, in addition to the indirect taxation, they are subjected to a specific tax reaching all their personal property, they wrench themselves from social and family ties, and seek a home beyond the city limits. If they occupy a hired house, it is thrown upon the hands of the owner; if they own a dwelling, it is put in the market to let, and comes in competition with other unrented

real estate, to its detriment and loss. These people are consumers, and, as explained in the seventh letter, all trades and business suffer, but the ultimate loss reaches the owner of real estate. Are these people to blame? Let us see. A man has $30,000 invested on bond and mortgage, the accumulation of a life of labor and saving. The income of $2,100 gives him a living with which he is content. Out of it he pays the taxes on his own or his landlord's house, and helps all of whom he buys, to pay their rents and taxes. But when the city steps in and takes $840 out of his $2,100 of income (at the rate of last year), he is at once reduced below his standard of comfortable living, and neither social nor family ties, love of the scenes of his childhood and success, nor pride in the city of his birth or adoption will detain him. Sadly he gathers his household goods and seeks a place whose sole recommendation is that he will not be taxed. His action is simply dictated by the instinct of self-preservation, overpowering all social sentiments.

Can they do better elsewhere? They can. A party was assessed here for $150,000, and his last tax bill was over $4,000. He has gone where he is assessed $10,000, and his annual tax bill is $150. Another was assessed here $25,000, and he has gone where he is assessed $1,000. There would be a far more extensive exodus from this city, but for the fact that so many investments are exempt, under the constitution and the law, from assessment. A gentleman said recently: "I would not stay in this city thirty days if my large capital in business could be taxed; my wife would object to leaving the city, but I should overrule that, and as my capital is in imported goods, protected from local taxation by the Constitution of the United States, why, I remain."

Let me relate the observation of a single day not a month old. A gentleman advanced in years was assessed, and paid, on $29,500 last year. This year he remains on his little place in the country, and the tax and the man are lost to the city, where his custom had been and his desire was to spend eight or nine months each year. A younger man, with a modest

competence acquired in trade, whose retirement from business was enforced by delicate health, is driven away by an assessment of $15,000. Another gentleman, assessed for $85,000, will pay it this year for the last time, as he will go abroad to reside—a measure he had held in doubtful contemplation, but which was decided by the tax. There have been thousands of such cases within the past ten years.

Here is a process of depletion going on, a leak unknown and unnoticed—"an obscure and almost latent influence," as defined in the extract from Mr. Burke's speech—which, in time, would arrest the development of any city, and hand over her sceptre of supremacy to an ambitious and far-seeing rival. I would be glad if these letters could be read by the real estate owners of New York only, for I hate to encourage a rival with the knowledge that this city is afflicted with a running sore, draining its energies, and threatening premature decrepitude. But a faithful diagnosis is essential to the cure of the sick man.

An inquiry was made a few days ago, at a casual meeting of several gentlemen largely interested in the prosperity of the city, as to what were the hindrances to the enactment and enforcement of an equitable law which would reach every description of personal property, and so distribute the burden as to make it nominally light on all. The answer was that to do this only three things were necessary:

First—To amend the Constitution of the United States.

Second—To amend the Constitutions of the other States.

Third—To amend the constitution of human nature.

The Constitution of the United States would have to be amended, for under it full one-third of the personal property in this city is placed beyond the reach of State tax laws.

The Constitution of other States would have to be amended, so that their laws shall conform to yours, or you might as well burn down certain business portions of the city as to attempt to enforce such a law in the face of competing rivals with more liberal tax laws.

The constitution of human nature would have to be amended, or personal property would fly to other countries,

beyond the reach of your amendments, impelled by the instinct of self-preservation.

It is evident that something ought to be done, and done quickly, but that must be the subject of another letter.

LETTER X.

THE MASSACHUSETTS TAX LAW—PRETENSIONS AND DEFECTS OF THE NEW YORK LAW—AIDING OTHER STATES AT HER OWN COST.

The City of New York has, in reference to the subject immediately under consideration—the taxation of personal property—two diverse courses open before her, either of them better than to maintain the present condition of things, which is simply suicidal and ruinous. Her future greatness depends largely upon the choice. The first course would be to tax personal property in every conceivable form permitted by the Constitution. To accomplish this result, the law of Massachusetts would furnish, probably, the best model. Under it every "inhabitant" in that State is required to fill up a schedule, to be sworn to, setting forth the value of his possessions on the 1st day of May in each year, in mortages, money at interest, and other debts due him. Only from these items is he allowed to deduct the debts he owes. All other items must be taxed without deduction for debts. They include cash on hand; goods, wares, and merchandise within or without the State; machinery, tools, implements of trade; (exceeding $300,) income (above $2,000) from profession, trade, or employment; income from annuities; vessels, or parts of vessels at home or abroad; horses and vehicles; furniture; (exceeding $1,000,) shares in corporations, including those pledged as collateral; public stocks, railroad bonds; other personal property not enumerated; personal property belonging to wife and minor children, or held as executor, administrator, or trustee. There is, besides, a poll-tax to reach the person.

If New York thinks proper to adopt the commercial policy referred to in the seventh letter, of doing a small business at a large profit, then enact a law similar to the above, and at the same moment accept the fact that those rivals whose policy is to do a large business with small profits, will leave this city far behind in the competition for business. The first effect of the adoption of such a law would probably be to raise the assessments on personal property in this city from some $200,000,000, to some $900,000,000, or even more, and reduce the nominal rate of taxation to $1.50 or $1.40 upon the $100. But a reaction would follow almost immediately, and the amount of the assessment would decline. Real estate would be relieved of a part of the tax, but it would also be relieved of a part of its occupants, and find it more difficult to pay the smaller sum than the larger. Better pass such a law, however, than do nothing. A Legislature—even the General Court of Massachusetts—cannot by enactment, make water run up hill; a man cannot violate the laws of his physical being with impunity, and a State cannot violate the unwritten laws of trade without paying the penalty. In mitigation of that penalty, Massachusetts has repealed her usury law, so that by agreement any rate of interest may be legally charged and paid in that State, and even loans on mortgage may be fixed at 8 or more per cent., and so the mortgagee is able to indemnify himself for the tax by charging the same and a little more to the mortgagor. This is not the entertainment to which the owners of real estate in this city desire to be invited.

From a singularly able and exhaustive treatise upon "Taxation in Massachusetts," by William Minot, Jr., Esq., just issued, the following extract shows the ridiculous provisions of the laws in that State, when the absolute effects are formulated into declarations of penalties and bounties:

"That if any citizen invests money in ships sailing from one of our seaports rather than in a ship which sails from Philadelphia, for instance, he shall forfeit for such offense annually the sum of $15 for every $1,000 so invested.

"That if any person, not an inhabitant of this State, invests in any ship

sailing from this port, rather than a ship sailing from Philadelphia, he shall forfeit, annually, for every $1,000 so invested, $15.

"That if any foreigner endeavors to promote the prosperity of this Commonwealth by loaning money to build houses, railroads, mills, or factories, or in aiding by investment any business enterprise, he shall forfeit for every $1,000 so invested, the sum of $15 annually.

"That if any inhabitant or foreigner attemps to assist the prosperity of the State, by investing money in land or goods which he borrows money to pay for, he shall forfeit for every such offense, in addition to the full tax on such lands or goods bought, the sum of $15 annually, for every $1,000 so borrowed.

"If any person attempts to open and sell any package of imported goods, he shall forfeit for such offense the sum of $15 for every $1,000 worth of goods so opened and sold.

"If any person removes personal property of any kind from this State, he shall receive a reward of $15 annually, for every $1,000 so removed.

"If any person brings personal property into this State, he shall forfeit $15 annually for every $1,000 so brought in.

"If any person, being worth $1,000,000 in personal property, will remove to the City of Newport, build a house there and assist its prosperity, he shall receive an annuity from the State of Massachusetts of $15,000.

"If any person living in Newport, having $1,000,000, comes to live within this State, he shall forfeit for such offense the sum of $15,000 annually."

The law of the State of New York is a specimen of pretentious mendacity. See how it menaces all kinds of personal property, when it defines as subject to taxation "all household furniture, moneys, goods, chattels, debts due from solvent debtors, whether on account of contract, note, bond, or mortgage, public stocks, and stocks in moneyed corporations." Munchausen never crowded so many lies in so few lines. Still the menace is there, with all its repelling and expelling force. Under its pretension more than $5,000,000 have been wrongfully paid in the last 10 years to the City, because taxpayers were ignorant of their rights under the law.

The tax laws of the State of New York were enacted 50 years ago, and were but imperfectly adapted to the requirements even of that day. The machine then devised has had cog-wheels taken out by the courts, crank-pins removed by the

Legislature, new forms and methods in business have rendered portions inoperative, and it has been submerged by the issue of more than $2,000,000,000 of Government bonds, notes, etc., untaxable, and yet it is expected to work. One might as well expect useful and effective work from the *Cleremont*—Fulton's first steam-boat—in competition with the steamers of the present time. For a statement of the utter inefficiency and uselessness of the law as a means of revenue, I refer to an address before a legislative committee in 1874.* It may be said that the Massachusetts law works well in that Commonwealth, and it is true that it does work moderately well, reaching, perhaps, from one-half to two-thirds of the property assessable. The people of that State have for generations been trained to submit to such methods, but the probability that the people of the State of New York will, at this date, impose upon themselves a law so inquisitorial and oppressive, is as remote as the enactment by them of the old blue-laws of Connecticut. It is worthy of note, too, that the fact that this State pretends to have a personal tax law is a buttress which enables Massachusetts to maintain such a law upon her statute-book; because it is admitted by the highest authority that if New York should adopt a more liberal and enlightened policy, Massachusetts would have to follow by the relaxation of her laws.

New York, then, occupies this extraordinary position: She is, to her own great detriment, adding to the resources of two adjoining and competing States. On the one hand, Massachusetts is sustained in her narrow policy, which, however, is effective in increasing her revenues, and is enabled to adhere to traditional methods, because New York pretends to do the same, yet does not do it in any effective way. On the other hand, Pennsylvania is sustained in her more liberal policy of practically excluding personal property from taxation, and reaps the most solid advantages by additions to her population, trade, and manufactures of those driven or diverted from this city by our laws professing to tax personal property, but which

* See extract in Appendix.

are in effect a sham, a bugbear to frighten, and not an agency to secure revenue. Is not New York, so situated and so acting in promotion of the welfare of other commonwealths at the sacrifice of her own, the most magnanimous of States? or is she the most stolid? The situation justifies the repetition of a figure used before, that "New York is, like Issachar, 'a strong ass crouching down between two burdens.'"

It remains to be determined whether New York will continue to "look back," or whether, casting off the schackles which impede her, she will press forward, and carry the prize she won in other days quite beyond the reach of rivals. It is in her power to do it, as I hope to show.

LETTER XI.

PLAN OF A BENEFICIAL TAX LAW—SPECIFIC ADVANTAGE TO REAL ESTATE—FREE TRADE IN MONEY.

While conceding that it would be better to adopt the Massachusetts mode for taxation than to do nothing, the tax laws of Pennsylvania, enacted some ten years ago, present a model far more desirable as a means of promoting the future growth and welfare of New York. The theory of the law in question is the practical exemption of personal property from direct municipal taxation. This mode is, to be sure, disfigured by some petty details at variance with its general character, such as the taxation of furniture, vehicles, and watches, more effective as sources of annoyance than of revenue. The outline of this system was pretty fully presented to your readers a year ago, and it is not proposed to repeat it here. The main feature is the taxation of corporations directly by the State for the revenue of the State, and the relief of the land from taxation for State purposes.

The laws for taxing corporations in the State of New York are shamefully confused and inefficient, and an enormous amount which might be secured as revenue is suffered yearly to run to waste. Except a special act for reaching indirectly

the capital and surplus of banks, there has been no legislation to adapt the laws taxing corporations to the changed condition of the financial affairs of the country growing out of the creation, under the Federal laws, of thousands of millions of non-taxable money and securities. The assessment of corporations is left to many hundred Assessors in the State, not ten of whom can possibly be familiar with the laws, and the various interpretations placed upon them by the courts. Doubts also are frequently arising as to the place where corporations are liable to be taxed.

Now, all this loss and confusion would be avoided if the corporations were assessed by the State Assessors, under a code to be wisely adjusted so as to distribute taxation equitably, with reference to the means, condition, and purposes of the corporation; keeping the tax below the repelling and expelling point, and recognizing the claims of manufacturing and publishing corporations to consideration. The real estate interest would reap a substantial and material advantage in relief from the State tax, and corporations, when each class should be equitably and uniformly taxed, would cease to be the objects of jealousy and distrust. The real estate of corporations should be taxed where it is situated, as at present, and, if desired, every county except New York might continue to tax personal property for local purposes, omitting, of course, the capital of corporations taxed by the State.*

But, says the owner of real estate, you propose to add to the burden upon my property. Let us see about that. Loans upon bond and mortgage are to a very great extent, as the effect of our present tax-laws, limited to institutions whose investments in such securities are specifically exempt from taxation by law, and to residents of other States and countries beyond the reach of our tax-laws. The shadow of the tax-law, however, rests upon this class of investments, and the effect has been to keep the rate of interest upon this—the highest possible grade of securities—at a rate full 1 per cent. above what it would otherwise be. The institutions whose invest-

* For further details of this plan see Appendix.

ments in mortgages are exempt by law are enabled to obtain 7 per cent., because there is practically no competition, as a private lender generally dare not make such an investment for fear of the tax. Remove that fear and capital would gladly seek an investment so safe at a lower rate of interest. It is estimated that the real estate of the city is incumbered by more than $400,000,000 of mortgages, and a saving of 1 per cent. upon that sum is $4,000,000 annually.

The debt upon which the city pays interest is in gross something like $120,000,000, all of which is liable to taxation, and for that reason is held chiefly by such institutions as hold bonds and mortgages, and by non-residents. It is not at all diffused among the people. The interest upon this sum is full 1 per cent. higher by reason of this mere liability to taxation than it would otherwise be. Remove this liability, and ultimately the debt could be placed at a rate of interest at least 1 per cent. less than is now paid. In view of the fact that the whole of this benefit could not be at once realized, let the saving from this source be called only $1,000,000 per annum. The sum to be paid for the State tax this year is a trifle over $4,000,000. This amount would be a direct and immediate saving.

Now look at the other side. The sum to be realized from personal taxes this year will probably not exceed $5,000,000, and if the law is suffered to remain unchanged, the probability is that hereafter it will continue to dwindle. How would the account as affecting real estate stand then?

Real estate would save on State tax.....	$4,000,000
Real estate would save on interest of city debt...	1,000,000
Real estate would save 1 per cent. on $400,000,000 mortgages.....	4,000,000
Total gain.....	$9,000,000
Real estate would lose tax on personal property..	5,000,000
Net gain to real estate.....	$4,000,000

I have not a shadow of doubt, if such a system were adopted, that within seven years the rate of taxation upon real

estate would fall below 2 per cent., provided that the general expenses and debt of the city should not be materially increased during that period.

The diminution in the rate of interest upon mortgage loans is not a mere chimera evolved from the mind of an enthusiast, who invests his statements with gorgeous but unreal possibilities. The *Real Estate Record* of Feb. 24 says, in relation to the exemption of mortgages from taxation, and the resulting reduction in the rate of interest: "The freedom which will be thus afforded in the negotiation of mortgage loans will redound to the benefit and prosperity of real estate interests in ways innumerable, and with effects whose bare contemplation is dazzling to the imagination."

It cannot be necessary to add to what has already been said to demonstrate how essential it is to the future welfare of New York that she should be able to announce to the world that her settled policy and declared motto is, "*Free Trade in Money.*" That is to say, that money, and personal property representing money, shall not be specifically taxed in this city.

If population is to be speedily and largely increased; if capital is to be attracted, held, utilized; if empty houses and stores are to be tenanted; if vacant property is to be built upon; if costly improvements are to be made available; if projected improvements are to be given effect; if trade is to be augmented; if the entire real estate interest is to be revived; if manufactures are to be established; if the poor are to find employment; if the middle class is to be recalled and retained; if brightness is to replace gloom, and sunshine cloud; if the future of New York as the chief port, the financial centre, and the commercial metropolis of the country is to be assured, it must be under a banner whose device shall be, "Free Trade in Money."

LETTER XII.

SOME CONCLUSIONS—THE GRAIN TRADE—ADVANTAGES OF NEW YORK—THE FUTURE.

Thus far it has seemed my duty to present statements, some of them of a depressing tendency, not from a desire to depress, but because such was the inherent character of the truths that needed to be presented, in order to obtain a full understanding of the case. It accords far better with my disposition and temperament to dwell in sunshine than in gloom; so let us gather into conclusions the experience and lessons of the past.

If New York could for ten years develop her resources and energies, unfettered, under the advanced policy of Free Trade in Money, as described in the last letter, and a proposition should then be made to restore the present restrictions, the real estate interest would be the first to protest against such a suicidal policy. If the government were to attempt to restrict free trade in money in Paris by the incumbrances which now fetter the energies and hinder the development of New York, revolution would be the result. New York ought to be—can be—the Paris of America. New York ought to be—can be—more than that, for she can be and remain what she now is, as a money centre and a commercial power on this continent, what London is to Europe. With no restrictions to hinder her development, she may, ultimately, grasp the sceptre of financial supremacy, and become the source and centre of financial power in the world, which ages ago had its seat on the Adriatic, and afterward, on the Amstel, and now on the Thames, and may, in the future, find its home on the Hudson. But the present interest is centered in the immediate future.

The diversion of the grain trade from New York is illustrated by the following table from the *Railroad Gazette* of

February 23, showing the percentage of the total receipts at each port for eleven years:

	Montreal.	Boston.	New York.	Philadelphia.	Baltimore.	All but New York.
1866	10.9	11.6	61.2	7.7	8.6	38.8
1867	10.3	12.5	55.3	8.8	13.1	44.7
1868	7.8	11.0	57.9	11.7	11.6	42.1
1869	11.0	10.0	55.0	12.3	11.7	45.0
1870	9.7	10.4	55.7	12.3	11.9	44.3
1871	10.3	9.6	57.0	12.9	10.2	43.0
1872	10.2	10.0	53 4	14.2	12.2	46.6
1873	11.4	10.3	52.8	14.3	11.2	47.2
1874	9.2	9.3	55.8	12.8	12.9	44.2
1875	9.6	10.2	52.3	15.7	12.2	47.7
1876	9.0	10.7	45.8	16.8	17.7	54.2

Notwithstanding the relative decrease, there has been a very large actual increase in the receipts at New York; for while our receipts in 1866 were only 58,500,000, they were in 1876, 97,000,000 bushels. In exports of grain, however, while New York has increased only 1,000,000 from 1873 to 1876, Philadelphia has risen from less than 5,000,000 to more than 22,000,000, and Baltimore from 9,000,000 to more than 24,000,000 bushels during the same period. The *Gazette* goes on to say:

"The long monoply of exports which New York has enjoyed has made it possible to introduce and maintain a rate of taxes for handling, and merchants' dues at the terminus, such as would have been impossible had the competition of the other ports been sharper. It is conceded, we believe, that New York takes larger tolls than any other port out of the grain exported, and the grain merchants finds it very difficult to reform this. The business is old; the methods of doing it long established; a large number of influential people are interested in preserving every tax on the grain; and there is much greater difficulty in combining to introduce a reform than when the business is comparatively new and abuses less firmly rooted."

This reference to the influence of taxes imposed by those handling grain, confirms the view already expressed of the

power of specific taxation to divert capital and trade. The evil complained of is one which will work its own cure, although the interests of the city may first suffer some damage as the parties imposing the tax will be the heaviest sufferers in consequence. If the city is to retain its proportion of the grain trade, charges must be reduced and facilities improved. The proposition to widen West street claims as its recommendation that it will promote the latter object. Boston is now considering a somewhat similar proposition, to bring the ship and the cargo together. Important as the grain trade is, and strenuously as New York should exert herself to retain it, it is a still nobler aim to develop all her resources, and strengthen all her interests, so as to be in no considerable degree dependent upon any one branch of trade. London has seen Liverpool grow with wonderful rapidity, without feeling alarm or suffering injury. So, too, may New York, without jealousy, see minor cities thrive and prosper, provided always, that care be taken to strengthen the position of the city in all its general business relations and resources.

The water-ways of the State, and the proximity of the city to the ocean, are advantages no other city possesses combined. Montreal may have even superior water-ways, but she is remote from the sea. Boston is as near the ocean, but enjoys no water-ways. Beyond the caprice of railroad managers, subject to the vagaries of no corporation, New York has, and always will have, cheap and easy access by water to products and markets, liable only to the temporary reign of the ice-king. This is an unquestionable advantage, only do not let it be made the foundation of a presumptuous confidence. Even this splendid heritage may be impaired by restrictive legislation and bad administration; and alert and ambitious rivals are ready to take, as they have already taken, advantage of such errors, through the agency of railways devoted to their respective interests—neutralizing to a large extent the benefit of our water-ways—to the detriment of the commerce of this city.

Debt and taxation are most formidable difficulties with

which to contend. The enforcement of rigid economy in the present condition of affairs will give partial, but immediate relief. Free trade in money will give ultimate and final relief, by retaining and attracting residents with their property. If the population of this city were fifty per cent. larger than it is, expenses need not in consequence increase in any such proportion. Such an accretion ought not to add over ten per cent. to the current expenses. This, it is true, has not been the experience of the past, for when population has doubled expenses have more than doubled. Want of vigilance on the part of taxpayers suffered such things to be. The addition of twenty, thirty, or fifty per cent. to the population would add enormously to the taxable resources of the city, by furnishing occupants at fair rents for buildings already completed, and requiring the construction of many others. Such an addition is possible, nay, certain, provided you will only let them come; and so the rate of taxation would be reduced, and the debt would begin to melt away.

Such an increase in population would also solve the problem of rapid transit, for which an imperious necessity would then arise. Capital invested in such an enterprise would then feel sure of sufficient return; and the question is always one rather of capital than of engineering.

As to the physical situations of the business of the city in the immediate future, they are likely to adhere, in the main, to the lines already established, with a constant tendency to upward expansion as the city grows. Much of the river fronts will be occupied by warehouses and factories; the lower portion of the city by banking rooms and offices for the transaction of business in all its varied forms of buying and selling imports, exports, and commission goods, which need not find storage in the office building. The lower central portion will be the site of such jobbing houses as changed conditions, already noticed, permit to remain here. The central portion will be occupied by manufacturers of the smaller wares who do not value proximity to shipping. The upper central part by stores and bazaars of a style to attract, as they now do, visitors

to the city, and above these the mansions of the affluent, flanked nearer the rivers by the dwellings of those who desire moderate rents and access on foot to their avocations. The annexed district, constituting the upper wards, will be occupied by families owning their homesteads, having easy and cheap access thereto by steam roads; and the splendid sites on the elevated portions will be adorned by elegant mansions and villas, adapted to the capabilities of the grades and the tastes of opulent owners.

New York may not in the future be the centre of the jobbing trade, for that trade will have many local centres. But as the centre of the importing, exporting, commission, and financial business of the continent; as the dwelling place of the rich, the cultured, and the refined; as the centre of all that is most enterprising and progressive in journalism; as the site of manufacturing industries; as possessing shops filled with the choicest fabrics; as the home of mechanics and laborers of every grade; as the seat of all that is of exalted interest in science and art; as the situation of the best schools in literature, in medicine, and in law; as offering in her religious temples the richest and most solid architecture, and in her pulpits the highest and most varied talent; as presenting in her places of amusement attractions adapted to every taste; as affording entertainment of the most alluring character in her hotels; and as a resort for those who travel for business, pleasure, or instruction, New York has a magnificent future before her if she can be allowed, free and unfettered by artificial restraints, to attain it.

In many respects New York has already attained these excellences, but when, under the stimulus of free trade in money, two million people shall throng her busy streets, her present attainments will sink into insignificance as compared with the future, if she be allowed to advance with free and elastic step, not impeded by the oppressive and repressive influences of obstructive and barbarous laws.

When her truant sons and daughters—made truant by these laws—shall return: when capital shall be welcomed and

not rejected; when those who have acquired a competence here shall be permitted to remain here to enjoy and diffuse its benefits; when men who have acquired a competence elsewhere shall be permitted to come here to enjoy and diffuse its benefits; then, indeed, a diadem shall deck the brow of this queenly city, gemmed with the stars of peaceful conquests. Then shall the treasures of the world be made subsidiary to her greatness. Then shall this fair city sit enthroned at the confluence of the waters which shall bear upon their bosom the wealth of nations as her tribute. Then shall her banner float over her citadel bearing the legend "FREE TRADE IN MONEY." And so shall the Future of New York be attained.

But, inquires some cynic, why do you vex the public ear with complaint? Because, sitting as I have been for several years with my finger, as it were, upon the patient's pulse, I have detected evidence of an enfeebled circulation, that arrested development is at hand, and that atrophy may not be distant. The cause is artificial. The remedy indicated is increased nutriment—in the form of population and personal property—without a free circulation of which real estate will come to be dry bones. I could not have said less and discharged my duties as a citizen. I am content to say no more.

GEO. H. ANDREWS.

NEW YORK, March, 1877.

APPENDIX.

INCONGRUITIES OF THE PRESENT LAWS.

The following is an extract from an address before the Committee on Ways and Means of the Assembly of the State of New York, by Mr. Andrews, in October 1874:

"The inequalities and incongruities of the law taxing personal property may be very well illustrated by a series of contrasts, as follows:

A has	$100,000	of imported goods,	and is	*exempt.*
B	"	miscellaneous goods,	"	taxed.
C	"	goods consigned,	"	*exempt.*
D	"	goods owned,	"	taxed.
E	"	goods manufactured in N. J.,	"	*exempt.*
F	"	" in city,	"	taxed.
G	"	goods for which he borrowed capital on U. S. Bonds,	"	*exempt.*
H	"	goods which he sold U. S. Bonds to pay for,	"	taxed.
I	"	in ships plying from this port, but registered in Boston,	"	*exempt.*
J	"	in ships plying in the Pacific, but registered here,	"	taxed.
K	"	in mortgages on N. J. property, int. paid in Jersey City, and mort'gs. deposited there,	"	*exempt.*
L	"	in mortgages on city property,	"	taxed.
M	"	money in his pocket,	"	*exempt.*
N	"	" bank,	"	taxed.
O	"	certf. dep. in Sub-Treasury,	"	*exempt.*
P	"	" bank,	"	taxed.
Q	"	specie in the Assay Office,	"	*exempt.*
R	"	" his safe,	"	taxed.
S	"	check on U. S. Treasury,	"	*exempt.*
T	"	" on bank,	"	taxed.
U	"	Treasury notes,	"	*exempt.*
V	"	Promissory notes,	"	taxed.
W	"	of United States Bonds,	"	*exempt.*
X	"	of State or City Bonds,	"	taxed.
Y	"	in certf. of indebt. of U. S.,	"	*exempt.*
Z	"	" " a corporation,	"	taxed.

"And if the alphabet had been longer my statement had been stronger.

" Call you that a system? Is that just? Is that equitable? Should a State great in commerce, in agriculture, and in manufactures, continue to countenance, and attempt to enforce laws which operate so unequally? Can any man or any Board administer such a medley satisfactorily? You cannot hold fluid in a cask if a stave be missing; here, a baker's dozen are gone—gone as irrecoverably as the years before the flood."

PROPOSED SYSTEM OF TAXATION.

The following is an extract from a letter addressed to the Mayor of New York in February 1876:

"The presentation of some of the features of the tax laws of Pennsylvania has not been for the purpose of recommending them as a standard to be followed literally and in detail, but for the purpose of showing that that great commonwealth, lying contiguous to ours, and closely resembling it in population, area and resources, has ventured to cut loose from traditional customs and usages, and successfully adopted methods and systems in harmony with the changed conditions of financial and business affairs.

"The vital principle underlying the present system in that State is the separation or division of the subjects of taxation by and between the State and the municipalities. The State selects its objects of taxation, and says to the counties: 'I will take these and leave you those.' It is an accepted saying that 'if two men ride one horse, one must ride behind;' but, physically, as to creatures, and economically, as to taxation, it has been found more convenient and advantageous for each to have a horse of his own. That is the very substance of the proposition I respectfully submit. While two powers tax the same object there must always be abundant occasion for contention and friction.

"I do not propose to exempt all personal property from taxation. On the contrary, I propose to reach hundreds of millions that now escape, and subject all that is taxed to the operation of just and equal laws, to be justly and equally administered by the authorities of the State.

" As to real estate: That I propose to relieve entirely from the burden of State taxation and from the inequalities and, perhaps I might say, oppression of State equalization, which, even if made well and fairly, will never, to a large portion of the taxpayers, seem to be so made.

" The suggestions I have to make are briefly these:

" 1. That all corporations created by or doing business in the State shall be assessed by the State Assessors, upon sworn returns, to be sent to them in Albany, and the taxes paid directly to the State Treasurer.

" 2. That the taxes shall be fixed upon the value of the stock, a percentage upon gross receipts, or in proportion to dividends, including scrip and stock dividends, at such rates as will attract capital and yet yield a large revenue; and that the scale of taxation be so adjusted as not to call for any deduction for investments in real estate.

"3. That discrimination shall be made in the rate of taxation upon corporations, formed under the general manufacturing law, so as to foster such interests so far as may be practicable and equitable.

"4. That if it shall be found necessary to secure ample revenue to the State, a license tax, moderate in amount, may be imposed upon certain classes of business to be paid to the State.

"5. That it shall be left to each county to determine, by its local Legislature, whether it will tax, for its local purposes, other descriptions of personal property.

"6. That real estate be relieved entirely from taxation for State purposes.

"7. That the real estate of corporations shall continue to be taxed where situated, as under present laws.

"The first proposition herein stated is based upon the fact that corporations are the creatures of the State, and are especially accountable to the State. The citizen, in his individuality, is older than the State, and in some aspects higher than the State, but corporations are neither, and are utterly subordinate and responsible to the State. The system proposed insures uniformity, both in the method of assessment and the rate of taxation upon the classes into which corporations may be divided. The effect would be to subject to taxation, light though it may be, hundreds of millions of property which cannot be reached by present laws.

"The second proposition is designed to avoid complications as to investments in non-taxable securities, such as Government bonds.

"The object of the third proposition is obvious. It is to make taxation light upon organizations, the purpose of which is to enable several men of limited means to form a corporation to do what one man of large means may and does do. It is in the interest of the poor man and favors the co-operative organizations of that class.

"The fourth proposition is conditional. I do not approve the principle, yet it may be expedient. So urgent, however, is the need of immediate reform in our tax laws, that I would even concur in what I might not approve.

"Of the fifth proposition it may be said that, novel as the plan may seem, it has precedents in the legislation of the State. There is some personal property which the law now makes taxable in one county and exempt in another county. It is a valuable suggestion in the report of the State Assessors that, on certain conditions, mortgages should be exempt from taxation in New York City. Those conditions may not be admissible, but the principle involved in this fifth proposition is practically indorsed by that suggestion. The plan proposed recognizes the doctrine of what is called 'local option,' and applies it to taxation of certain property. The effect would be that the farmers of the interior,

while relieved from the State tax upon their lands, might, if they choose, have substantially the same basis of personal property upon which to distribute their local taxes, this basis being diminished only by such property as the State may take for the purpose of its own taxation, very little of which, it is represented, is to be found in the strictly rural sections.

"Of the sixth proposition little need be said. It confers a boon upon the landed interest which that interest should be quick to appreciate. The present laws for assessing real estate would work well enough when the incentive to irregularity is removed, as is proposed, by the lifting of the State tax from such property.

"The seventh proposition explains itself.

"To formulate these suggestions into an effective and practical law would be a serious task and call for the exercise of the highest wisdom and the most enduring patience. But something must be done. Look at the growth of the State in fifty years; at the changes in the methods of business and in the habits of the people; at the creation of property in new forms; at the devices in other States, the effect of which is to sap the resources of this; and at the progress made toward reform of taxation in adjacent States.

"Then look at the miserable patches affixed from time to time upon the system which was but indifferently adapted to the requirements of the State fifty years ago, and say if it is not high time for the State of New York to reform her tax laws; to make them equitable, efficient, and productive; to cease complaining about evasions which the law now provokes and favors; to let go of that which you cannot hold, and to hold that you may hold, but do not, owing to the defects of your laws.

"The germ of the system proposed was presented in the able reports of Mr. David A. Wells, and Mr. Isaac Sherman has since pressed for reform in taxation in a like general direction with singular ability. But it needs that a legislator endowed with high courage and rare patience shall devote himself to the work of reform. Not patching, but entire reconstruction is needed. The hope of obtaining satisfactory results from the present broken, shattered, leaky laws, is as vain as it would be to expect highly useful returns from the toil of one who

> 'Is dropping buckets into empty wells,
> And growing old in drawing nothing up.'

"No other State has such resources for taxation, and no other has suffered its resources to run so uterly to waste for want of judicious legislation."

GEO. H. ANDREWS.

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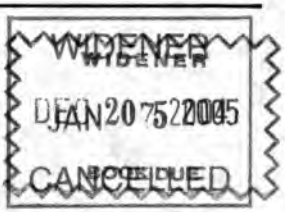

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